

1 [Urging the California State Legislature to Pass Assembly Bill 2372 (Ammiano and
2 Bocanegra)]

3 **Resolution urging the California State Legislature to pass Assembly Bill 2372**
4 **introduced by Assemblymembers Ammiano and Bocanegra, that will clarify the**
5 **definition of “change of ownership” in current law for commercial property to prevent**
6 **cases where 100% change of ownership occurs, but reassessment is avoided.**

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8 WHEREAS, The state’s current system for assessing and taxing commercial and
9 industrial property is riddled with loopholes, providing property owners with innumerable ways
10 to structure change of ownership transactions to avoid paying higher taxes; and

11 WHEREAS, In San Francisco the tax burden on residential property owners has
12 increased from 56% to 71 % since the passage of proposition 13, while the burden on
13 commercial property owners in San Francisco has decreased by 12%; and

14 WHEREAS, Commercial property is held in many complex ways (limited liability
15 corporations, limited partnerships, real estate investment trusts, family trusts, publicly traded
16 corporations, etc.) it is often difficult to identify a “change of ownership” under current law, and
17 very easy to avoid a “change of ownership” even when a sale occurs that should trigger a
18 reassessment; and

19 WHEREAS, Current law allows billions of dollars of valuable business property to be
20 vastly under assessed, creating great differences in taxes paid among property owners,
21 resulting in inadequate funding of local governments, schools and infrastructure projects; and

22 WHEREAS, Current law requires that commercial properties be taxed on their full
23 market value if a “change of ownership” occurs. “A change of ownership” triggers
24 reassessment of property for property tax purposes; and

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1 WHEREAS, Current law says that a “change of ownership” does not occur unless one
2 owner acquires more than 50% of a property; and

3 WHEREAS, Loopholes in existing law have not triggered reassessment, in some
4 cases, even if 100% of property has changed hands; and

5 WHEREAS, As reported by the California Tax Reform Association in a 2010 report,
6 reviews of private equity buyouts and bank mergers point to several examples where it has
7 been discovered that huge “changes of ownership” in major properties occurred which have
8 gone without reassessment; and

9 WHEREAS, Assembly Bill 2372 (AB 2372), sponsored by Assembly Member Tom
10 Ammiano, would require commercial properties to be reassessed and taxed on their full
11 market value if 90% or more of a property is cumulatively sold or transferred over a three year
12 period; and regardless, of how many parties are involved or whether any one party acquires
13 more than 50% of ownership interest; and

14 WHEREAS, AB 2372 ensures that county assessors are provided with the information
15 they need to discover “changes of ownership;” and

16 WHEREAS, AB 2372 clarifies “change of ownership” in cases when stocks are used,
17 and

18 WHEREAS, AB 2372, ensures that violators are adequately penalized for failing to
19 comply; now, therefore, be it

20 RESOLVED, That the Board of Supervisors of the City and County of San Francisco
21 hereby urges the California State Legislature to pass AB 2372.

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